



**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2008**

**Unaudited**

*NOTICE OF NO AUDITOR REVIEW OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS*

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not be reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by, and are the responsibility of, the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of financial statements by an entity's auditor.

*"Bahman Yamini"*

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**President and Chief Executive Officer**

*"Kerry Spong"*

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**Vice President, Finance & CFO**

*May 29, 2008*

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**CANASIL RESOURCES INC.**  
**INTERIM CONSOLIDATED BALANCE SHEETS**

*Unaudited*

<b>ASSETS</b>	<b>March 31 2008</b>	<b>December 31 2007</b>
<b>Current</b>		
Cash	\$ 268,855	\$ 358,323
Receivables	155,194	128,193
Subscriptions receivable <i>(Note 6)</i>	-	330,000
Prepaid expenses	13,845	8,728
	<u>437,894</u>	<u>825,244</u>
<b>Reclamation bond</b>	<b>20,000</b>	20,000
<b>Resource properties</b> <i>(Note 4)</i>	<b>4,932,974</b>	4,660,914
<b>Property and equipment</b> <i>(Note 5)</i>	<b>94,328</b>	93,205
	<u>\$ 5,485,196</u>	<u>\$ 5,599,363</u>

**LIABILITIES**

<b>Current</b>		
Accounts payable and accrued liabilities	\$ 157,554	\$ 139,156

**SHAREHOLDERS' EQUITY**

<b>Share capital</b> <i>(Note 6)</i>	<b>10,471,289</b>	10,471,289
<b>Contributed surplus</b> <i>(Note 6)</i>	<b>786,595</b>	732,761
<b>Deficit</b>	<b>(5,930,242)</b>	(5,743,843)
	<u>5,327,642</u>	<u>5,460,207</u>
	<u>\$ 5,485,196</u>	<u>\$ 5,599,363</u>

**Nature and continuance of operations** *(Note 1)*

**Subsequent events** *(Note 13)*

ON BEHALF OF THE BOARD:

*"Michael McLinnis"*  
\_\_\_\_\_, Director

*"Alvin Jackson"*  
\_\_\_\_\_, Director

**CANASIL RESOURCES INC.**  
**INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT**  
**FOR THE THREE MONTHS ENDED MARCH 31**

*Unaudited*

	2008	2007
<b>Expenses</b>		
Accounting and audit	\$ 8,460	\$ 5,500
Amortization	4,847	2,808
Conferences and conventions	10,114	16,113
Director fees	10,000	7,500
Foreign exchange loss (gain)	(11,530)	6,345
General exploration	8,808	6,272
Investor relations and promotions	35,563	15,911
Legal fees	3,443	3,396
Listing and filing fees	6,645	5,703
Management fees	28,500	28,500
Office services and supplies	18,333	7,207
Shareholder communications	1,604	2,037
Stock-based compensation <i>(Note 7)</i>	53,834	76,686
Transfer agent fees	2,004	3,380
Travel and accommodation	7,845	2,674
<b>Loss before other items</b>	<b>(188,470)</b>	<b>(190,032)</b>
Interest income	2,071	3,200
<b>Loss and comprehensive loss for the period</b>	<b>(186,399)</b>	<b>(186,832)</b>
Deficit - beginning of period	(5,743,843)	(4,497,396)
<b>Deficit - end of period</b>	<b>\$ (5,930,242)</b>	<b>\$ (4,684,228)</b>
<b>Loss per share – basic and diluted</b>	<b>\$ 0.01</b>	<b>\$ 0.01</b>
<b>Weighted-average number of shares outstanding</b>	<b>33,377,592</b>	<b>24,447,774</b>

- See Accompanying Notes -

**CANASIL RESOURCES INC.**  
**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED MARCH 31**

*Unaudited*

<b>CASH RESOURCES PROVIDED BY (USED IN)</b>	<b>2008</b>	<b>2007</b>
<b>Operating activities</b>		
Loss for the period	\$ (186,399)	\$ (186,832)
Items not affecting cash		
Amortization	4,847	2,808
Stock-based compensation	53,834	76,686
	<u>(127,718)</u>	<u>(107,338)</u>
Changes in non-cash working capital		
Decrease (increase) in receivables	(27,001)	(41,708)
Decrease (increase) in prepaid expenses	(5,117)	6,858
Increase (decrease) in accounts payable and accrued liabilities	(41,862)	12,608
	<u>(201,698)</u>	<u>(129,580)</u>
<b>Investing activities</b>		
Resource properties	(211,800)	(394,889)
Property and equipment	(5,970)	(3,567)
	<u>(217,770)</u>	<u>(398,456)</u>
<b>Financing activities</b>		
Share capital issued	-	2,271,071
Share issuance costs	-	(75,656)
Subscriptions receivable	330,000	-
Subscriptions received in advance	-	(327,000)
	<u>330,000</u>	<u>1,868,415</u>
<b>Increase (decrease) in cash</b>	<b>(89,468)</b>	<b>1,340,379</b>
Cash position - beginning of period	<u>358,323</u>	<u>211,763</u>
<b>Cash position - end of period</b>	<b>\$ 268,855</b>	<b>\$ 1,552,142</b>

**Supplemental schedule of non-cash investing  
and financing transactions**

Shares issued for resource properties	\$ -	\$ 247,000
Warrants issued for resource properties	\$ -	\$ 8,358
Warrants issued for finder's fee	\$ -	\$ 19,948
Increase (decrease) in accounts payable – resource property costs	<u>\$ 60,260</u>	<u>\$ (37,750)</u>

- See Accompanying Notes -

**CANASIL RESOURCES INC.**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2008**

*Unaudited*

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**1. NATURE AND CONTINUANCE OF OPERATIONS**

Canasil Resources Inc. (the "Company") is considered to be in the exploration stage with respect to its interest in resource properties. Based on the information available to date, the Company has not yet determined whether these properties contain economically recoverable ore reserves.

The recovery of the amounts comprising resource properties and deferred exploration costs is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete its exploration and development and upon future profitable production.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

	March 31 2008	December 31 2007
Deficit	\$ 5,930,242	\$ 5,743,843
Working capital	\$ 280,340	\$ 686,088

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Principles of consolidation**

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Minera Canasil, S.A. de C.V., a company incorporated in Mexico. All significant inter-company transactions and balances have been eliminated.

**Basis of Presentation**

These unaudited interim consolidated financial statements are prepared in accordance with generally accepted accounting principles ("GAAP") in Canada. However, they do not include all of the information and disclosures required by Canadian GAAP for annual financial statements. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements.

Except as detailed in note 3, these interim consolidated financial statements follow the same accounting policies and methods of their application as the most recent annual financial statements and should be read in conjunction with the Company's audited financial statements including the notes thereto for the year ended March 31, 2008. All financial information presented herein is unaudited.

**CANASIL RESOURCES INC.**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2008**

*Unaudited*

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**3. CHANGE IN SIGNIFICANT ACCOUNTING POLICIES**

**Capital Disclosures**

Effective January 1, 2008, the Company adopted the recommendations of CICA Handbook Section 1535 – *Capital Disclosures*. This Section requires disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the Company's objectives, policies and processes of managing capital.

**Financial Instruments - Disclosures**

Effective January 1, 2008, the Company adopted the recommendations of CICA Handbook Section 3862 – *Financial Instruments – Disclosures*. This Section requires disclosure of quantitative and qualitative information that enable users to evaluate the significance of financial instruments for the Company's financial position and performance and the nature and extent of risks arising from financial instruments to which the Company is exposed during the period and at the balance sheet date, and management's objectives, policies and procedures for managing such risks. Disclosure of the measurement basis used and the criteria used to determine classification for different types of instruments is also required.

**4. RESOURCE PROPERTIES**

Title to resource properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many resource properties. The Company has investigated title to all of its resource properties and, to the best of its knowledge, title to all of its properties is in good standing.

**Salamandra project, Mexico**

During 2006, the Company entered into an option agreement to earn a 100% interest in the Salamandra project located in Durango State, Mexico, subject to an NSR of 2%. The Company has the right to acquire these claims by making cash payments over a period of five years totalling US\$500,000. The Company has also staked additional claims, known as the Victoria claims, which are contiguous with the Salamandra claims.

During the period, the Company granted an arm's length party the right to earn a 60% interest in the properties by incurring \$7,000,000 in exploration expenditures and making \$375,000 in cash or share payments to the Company over six years. The optionee also has the option to acquire up to 1,500,000 shares of the Company in three private placements over a period of two years (*Note 12*).

**Colibri project, Mexico**

During 2005, the Company staked claims located in Durango State, Mexico. During fiscal 2007, the Company acquired 100% interest in several additional claims from Oremex Resources Inc. ("Oremex") in consideration for 650,000 common shares of the Company valued at \$247,000 and 75,000 shares purchase warrants valued at \$8,358 (*Note 6*). A former officer of the Company is also a director of Oremex.

**CANASIL RESOURCES INC.**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2008**

*Unaudited*

**4. RESOURCE PROPERTIES - continued**

**La Esperanza project, Mexico**

During 2005, the Company entered into an option agreement to earn a 100% interest in the La Esperanza project, subject to a Net Smelter Returns royalty ("NSR") of up to 1.5%. The claims are located in Zacatecas State, Mexico. The Company has the right to acquire these claims by making option payments over a period of three years totalling US\$150,000.

**Tres Marias and Cebollas properties, Mexico**

During 2003, the Company entered into an option agreement to earn up to a 75% interest in the Tres Marias and Cebollas gold-silver properties located in Durango State, Mexico. In accordance with the terms of the agreement, the Company issued 50,000 common shares at a value of \$8,000 and incurred exploration expenditures of \$405,012. During 2007, the Company terminated this agreement and wrote off all costs associated with these properties.

**Other projects**

The Company has staked other claims located in Durango and Sinaloa States, Mexico which include the Sandra and Nora project, the Los Azules project, and the San Francisco project. The Company has also staked and holds claims in British Columbia, Canada, which include the Brenda, Lil, Vega, and Granite projects. The Company holds a 100% interest in all of these claims.

**Additions for the period and cumulative expenditures as at March 31 are as follows:**

2008	Acquisition	Exploration	Total Additions	Cumulative Expenditures
Brenda, Canada	\$ -	\$ 25,585	\$ 25,585	\$ 1,993,349
Lil, Canada	-	-	-	4,958
Vega, Canada	-	-	-	50,976
Los Azules, Mexico	-	5,881	5,881	74,569
Sandra and Nora, Mexico	-	3,353	3,353	119,640
San Francisco, Mexico	-	976	976	5,273
Esperanza, Mexico	-	15,379	15,379	457,942
Colibri, Mexico	-	182,067	182,067	1,319,552
Salamandra, Mexico	-	22,352	22,352	830,821
Victoria, Mexico	-	11,566	11,566	40,040
Other, Mexico	-	4,901	4,901	35,854
	<u>\$ -</u>	<u>\$ 272,060</u>	<u>\$ 272,060</u>	<u>\$ 4,932,974</u>

2007	Acquisition	Exploration	Total Additions	Cumulative Expenditures
Brenda, Canada	\$ -	\$ 665	\$ 665	\$ 1,431,252
Lil, Canada	-	-	-	789
Vega, Canada	-	6,561	6,561	22,224
Tres Marias and Cebollas, Mexico	-	104	104	410,931
Los Azules, Mexico	-	999	999	63,917
Sandra and Nora, Mexico	-	2,588	2,588	109,034
San Francisco, Mexico	-	160	160	3,874
Esperanza, Mexico	-	12,367	12,367	387,915
Colibri, Mexico	258,577	265,714	524,291	675,806
Salamandra, Mexico	3,876	57,613	61,489	158,547
Victoria, Mexico	-	3,273	3,273	23,024
	<u>\$ 262,453</u>	<u>\$ 350,044</u>	<u>\$ 612,497</u>	<u>\$ 3,287,313</u>



**CANASIL RESOURCES INC.**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2008**

*Unaudited*

**5. PROPERTY AND EQUIPMENT**

	2008			2007		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land	\$ 31,686	\$ -	\$ 31,686	\$ -	\$ -	\$ -
Automobile	27,730	12,468	15,262	27,730	5,927	21,803
Computer	13,743	5,162	8,581	8,790	1,924	6,866
Field equipment	31,971	6,372	25,599	-	-	-
Furniture and equipment	25,545	12,590	12,955	16,232	10,026	6,206
Software	1,097	852	245	444	277	167
	<u>\$ 131,772</u>	<u>\$ 37,444</u>	<u>\$ 94,328</u>	<u>\$ 53,196</u>	<u>\$ 18,154</u>	<u>\$ 35,042</u>

**6. SHARE CAPITAL AND CONTRIBUTED SURPLUS**

	Number of Shares	Share Capital	Contributed Surplus
Authorized			
Unlimited common voting shares, without par value			
Issued and outstanding			
Balance, December 31, 2006	21,735,342	\$ 6,572,265	\$ 496,413
Private placement	7,088,000	2,451,400	-
Share issuance costs	-	(130,170)	19,948
Acquisition of property (Note 4)	650,000	247,000	8,358
Warrants exercised	3,698,000	1,294,300	-
Stock options exercised	206,250	36,494	(10,244)
Stock-based compensation	-	-	218,286
Balance, December 31, 2007 (Note 7)	33,377,592	10,471,289	732,761
Stock-based compensation	-	-	53,834
Balance, March 31, 2008	33,377,592	\$10,471,289	\$ 786,595

**CANASIL RESOURCES INC.**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2008**

*Unaudited*

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**6. SHARE CAPITAL AND CONTRIBUTED SURPLUS - *continued***

**Private placements**

In December 2007, the Company issued 1,588,000 units at a price of \$0.30 per unit for gross proceeds of \$476,400. Each unit consisted of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder to purchase one common share at \$0.45 until December 31, 2008. Subscription proceeds of \$330,000 were received subsequent to December 31, 2007. The Company paid finders fees of \$28,098.

In March 2007, the Company issued 4,000,000 units at a price of \$0.40 per unit for gross proceeds of \$1,600,000. Each unit consisted of one common share and one-half of one share purchase warrant. Each whole warrant entitled the holder to purchase one common share at \$0.55 until March 13, 2008. The Company paid cash commissions of \$51,870, and issued 114,675 broker warrants, as finders' fees. The brokers warrants expire March 13, 2008 and include 15,000 exercisable at \$0.55 and 99,675 exercisable at \$0.40. The broker warrants were valued at \$19,948 using the Black-Scholes Option-Pricing Model with an expected volatility of 91%, a risk-free interest rate of 4.01%, an expected life of one year, and an expected dividend yield of 0%.

In January 2007, the Company issued 1,500,000 units at a price of \$0.25 per unit for gross proceeds of \$375,000. Each unit consisted of one common share and one share purchase warrant exercisable at \$0.35 per share until January 12, 2008. Share subscriptions of \$335,000 were received prior to December 31, 2006.

**Shares issued in property acquisition**

The Company issued 650,000 common shares and granted 75,000 share purchase warrants in consideration for the claims acquired from Oremex (*Note 4*). Each warrant entitled Oremex to acquire one additional common share of the Company at a price of \$0.50 until January 26, 2008. The warrants were valued at \$8,358 using the Black-Scholes Option-Pricing Model with an expected volatility of 95%, risk-free interest rate of 4.10%, an expected life of one year, and an expected dividend yield of 0%.

**7. STOCK OPTIONS AND WARRANTS**

The Company has an Incentive Stock Option Plan (the "Plan") which complies with the rules set forth by the TSX Venture Exchange in that at no time may more than 5% of the outstanding issued common shares be reserved for incentive stock options granted to any one individual. The Plan provides for the issuance of options to directors, officers, employees and consultants of the Company and its subsidiary to purchase common shares of the Company. The stock options may be issued at the discretion of the board of directors and may be exercisable during a period not exceeding five years. Stock options granted under the Plan vest in equal quarterly tranches over a period of not less than 18 months.

**CANASIL RESOURCES INC.**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2008**

*Unaudited*

**7. STOCK OPTIONS AND WARRANTS - continued**

Stock option and share purchase warrant transactions are summarized as follows:

	Warrants		Options	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, December 31, 2006	3,303,000	\$ 0.35	1,925,000	\$ 0.21
Granted	4,483,675	\$ 0.46	1,215,000	\$ 0.57
Exercised	(3,698,000)	\$ 0.35	(206,250)	\$ 0.13
Expired	-	\$ -	(100,000)	\$ 0.23
Outstanding, December 31, 2007	4,088,675	\$ 0.47	2,833,750	\$ 0.37
Granted	-	\$ -	-	\$ -
Exercised	-	\$ -	-	\$ -
Expired	(1,294,675)	\$ 0.36	-	\$ -
Outstanding, March 31, 2008	2,794,000	\$ 0.52	2,833,750	\$ 0.37
Currently exercisable	2,794,000	\$ 0.52	2,386,250	\$ 0.34

At March 31, 2008, the Company had outstanding stock options and warrants enabling holders to acquire common shares as follows:

	Number of Shares	Exercise Price	Expiry Date
<b>Options</b>	650,000	\$ 0.26	November 6, 2008
	150,000	\$ 0.75	May 11, 2009
	200,000	\$ 0.75	May 15, 2009
	743,750	\$ 0.20	March 6, 2011
	150,000	\$ 0.20	October 27, 2011
	75,000	\$ 0.20	November 21, 2011
	865,000	\$ 0.50	March 20, 2012
	<u>2,833,750</u>		
<b>Warrants</b>	2,000,000	\$ 0.55	September 30, 2008
	794,000	\$ 0.45	December 31, 2008
	<u>2,794,000</u>		

**CANASIL RESOURCES INC.**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2008**

*Unaudited*

**7. STOCK OPTIONS AND WARRANTS - *continued***

**Stock-based compensation**

During fiscal 2007, the Company granted incentive stock options to directors, officers and consultants of the Company and estimated the fair value of compensation on the grant date. Stock-based compensation is recorded over the vesting period. Details are as follows:

	2008	2007
Total options granted	-	865,000
Average exercise price	\$ -	\$ 0.50
Estimated fair value of options granted	\$ -	\$ 215,337
Estimated fair value per option	\$ -	\$ 0.25

The fair value of the stock-based compensation to be recognized in the accounts has been estimated using the Black-Scholes Option-Pricing Model with the following weighted-average assumptions:

	2008	2007
Risk-free interest rate	-	4.01%
Expected dividend yield	-	0.00%
Expected stock price volatility	-	90%
Expected option life in years	-	2.00

The company has recorded stock-based compensation for the options that vested during the period as follows:

	2008	2007
Number of options vested in period	216,250	453,750
Compensation recognized in period	\$ 53,834	\$ 76,686

**CANASIL RESOURCES INC.**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2008**

*Unaudited*

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**8. RELATED PARTY TRANSACTIONS**

The Company entered into transactions with related parties as follows:

- a) Paid or accrued \$24,000 (2007 - \$24,000) for management fees to a company controlled by a director;
- b) Paid or accrued \$3,443 (2007 - \$16,699) for legal services and share issue costs to a law firm in which an officer of the Company is a partner;
- c) Paid or accrued \$10,000 (2007 - \$7,500) in director fees to a director and to three (2006 – two) companies each controlled by a director;
- d) Paid or accrued \$4,500 (2007 - \$4,500) in management fees to an officer.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Included in accounts payable at March 31, 2008 is \$15,807 (2007 - \$57,049) due to directors, companies controlled by directors, officers, and to a law firm in which an officer of the Company is a partner.

**9. FINANCIAL INSTRUMENTS**

The Company's financial instruments consist of cash, receivables, reclamation bond, and accounts payable and accrued liabilities. All of the Company's financial instruments are carried at amortized cost and their fair value is considered to approximate their carrying value due to their short-term nature or capacity of prompt liquidation. The Company has no speculative financial instruments, derivatives, forward contracts, or hedges.

All of the Company's Canadian cash is held in an interest bearing account at a major Canadian bank and such balances earn interest at market rates. The Company also maintains cash in the currency of Mexico (peso), which it uses to fund its foreign projects. The cash balances and payables that are denominated in pesos are subject to currency risk due to fluctuations in the exchange rate between the Canadian dollar and the peso. To manage this currency risk, the Company maintains only the minimum amount of cash, in pesos, that is necessary to fund its ongoing exploration expenditures. Accounts payable are settled in a timely manner.

The Company is not exposed to any significant credit, interest rate, liquidity or market risks in respect of these financial instruments. The Company's policies and processes of managing all risks associated with its financial instruments have not changed during the current period.

**CANASIL RESOURCES INC.**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2008**

*Unaudited*

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**10. CAPITAL DISCLOSURES**

The Company is in the business of mineral exploration and has no source of operating revenue. The Company has no short- or long-term debt and finances its operations through the issuance of capital stock. Capital raised is held in cash in an interest bearing bank account until such time as it is required to pay operating expenses or resource property costs. The Company is not subject to any externally imposed capital restrictions. Its objectives in managing its capital are to safeguard its cash and its ability to continue as a going concern, and to utilize as much of its available capital as possible for exploration activities. The Company's objectives have not changed during the period.

**11. SEGMENTED INFORMATION**

The company currently operates in only one operating segment, that being the mining exploration industry. The Company operates in the following geographical segments:

2008	Canada		Mexico		Total
Revenues	\$	-	\$	-	\$ -
Resource properties	\$	2,049,283	\$	2,883,691	\$ 4,932,974
Plant and equipment	\$	32,985	\$	61,343	\$ 94,328

2007	Canada		Mexico		Total
Revenues	\$	-	\$	-	\$ -
Resource properties	\$	1,454,265	\$	1,833,048	\$ 3,287,313
Plant and equipment	\$	8,208	\$	26,834	\$ 35,042

**12. SUBSEQUENT EVENTS**

Subsequent to March 31, 2008, the Company announced a private placement of 500,000 shares at a price of \$0.25 per share for total proceeds of \$125,000 as provided for by the option agreement on the Salamandra property (*Note 4*). Issuance of the shares is subject to approval by the TSX Venture Exchange.

**CANASIL RESOURCES INC.**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Quarter ended March 31, 2008

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This Management's Discussion and Analysis ("MD&A") for Canasil Resources Inc. ("the Company") is dated May 29, 2008 and provides information on the Company's activities for the quarter ended March 31, 2008, and from the end of the quarter to the date of this report. The following discussion and analysis of the financial position of the Company should be read in conjunction with the MD&A and audited financial statements and related notes for the year ended December 31, 2007, as well as the un-audited financial statements and related notes for the three months ended March 31, 2008.

**Business of the Company**

The Company was incorporated in 1984 and is engaged in the exploration and development of mineral properties hosting copper-gold, gold, silver, copper, zinc and lead prospects located in Durango, Sinaloa and Zacatecas States, Mexico, and in British Columbia, Canada. During the quarter the company continued to implement exploration programs on its mineral projects in Mexico, including diamond drilling at the Colibri project and further evaluation of the Company's mineral claims in Sinaloa. In March 2008, the Company signed an Option and Joint Venture agreement with Blackcomb Minerals Inc. on its Salamandra and Victoria projects in Durango, Mexico. The Company exhibited at a number of industry conferences during the quarter. In 2008 to date the financial markets were generally weak for junior exploration companies, resulting in relatively low share prices and trading volumes.

**Overall Performance**

During the quarter the Company started a diamond drill program of 1,500 metres to investigate mineralized veins in the southwestern area of the Colibri project in Durango, Mexico. Sixteen diamond drill holes for a total of 1,539 metres were completed by May 2008. On March 19, 2008 the Company entered into an Option and Joint Venture Agreement with Blackcomb Minerals, Inc. providing for Blackcomb to earn 60% interest in the Salamandra and Victoria projects in Durango, Mexico, for exploration expenditures of US\$7 million and cash payments of US\$375,000 over 6 years. In April 2008, the company completed a geological evaluation of the Los Azules and El Eden projects in Sinaloa, Mexico. Deferred exploration and acquisition expenditures in Mexico during the quarter amounted to \$272,060 (1<sup>st</sup> quarter 2007 - \$612,497).

The Company exhibited at the Vancouver Resource Investment Conference and Mineral Exploration Roundup in January 2008, at the Prospectors and Developers Association Conference in Toronto in March 2008, and at the Calgary Resource Investment Conferences in April 2008. Investor relations expenditures during the quarter were \$35,563 (1<sup>st</sup> quarter 2007 - \$15,911). Expenditures on conferences and conventions during the quarter were \$10,114 (1<sup>st</sup> quarter 2007 - \$16,113).

There was no new financing during the first quarter of 2008 (see "*Recent Developments*").

**Financial Condition, Results of Operations and Cash Flows**

The Company's working capital as at March 31, 2008, was \$280,340 (December 31, 2007, \$686,088). The Company will require additional funding to undertake currently planned expenditures for exploration and maintenance of its mineral property interests through 2008. Operating expenses during the quarter were \$188,470 (1<sup>st</sup> quarter 2007 - \$190,032) and the Company earned interest income of \$2,071 (1<sup>st</sup> quarter 2007 - \$3,200). The operating expenses for the quarter include non-cash Stock-Based Compensation of \$53,834 (1<sup>st</sup> quarter 2007 - \$76,686). During the quarter Management and Directors fees were \$38,500 (1<sup>st</sup> quarter 2007 - \$36,000) and expenditures on Investor Relations and Conferences and Conventions increased to \$45,677 (1<sup>st</sup> quarter 2007 - \$32,024). Accounting and audit fees for the quarter increased to \$8,460 (1<sup>st</sup> quarter 2007 - \$5,500), office services and supplies increased to \$18,333 (1<sup>st</sup> quarter 2007 - \$7,207), and travel and accommodation expenses increased to \$7,845 (1<sup>st</sup> quarter 2007 - \$2,674). The Company recorded a foreign exchange gain of \$11,530 (1<sup>st</sup> quarter 2007 - loss of \$6,345) during the quarter resulting from exchange rate fluctuations between the Canadian Dollar, the U.S. Dollar, and the Mexican Peso.

Net cash used for operating activities during the quarter was \$201,698 (1<sup>st</sup> quarter 2007 - \$129,580). The increase was due to the increase in Operating Expenditures for the quarter of \$127,718 (1<sup>st</sup> quarter 2007 - \$107,338) and decrease in Accounts Payable during the quarter of \$41,862 (1<sup>st</sup> quarter 2007 - increase of \$12,608). Net cash used for investing activities, including resource properties and property and equipment decreased to \$217,770 (1<sup>st</sup> quarter 2007 - \$398,436) reflecting the lower level of exploration expenditures. Net cash flow from financing activities during the quarter was \$330,000 (1<sup>st</sup> quarter 2007 - \$1,868,415) consisting of the balance receivable from the private placement of December 2007.

**Mineral Properties**

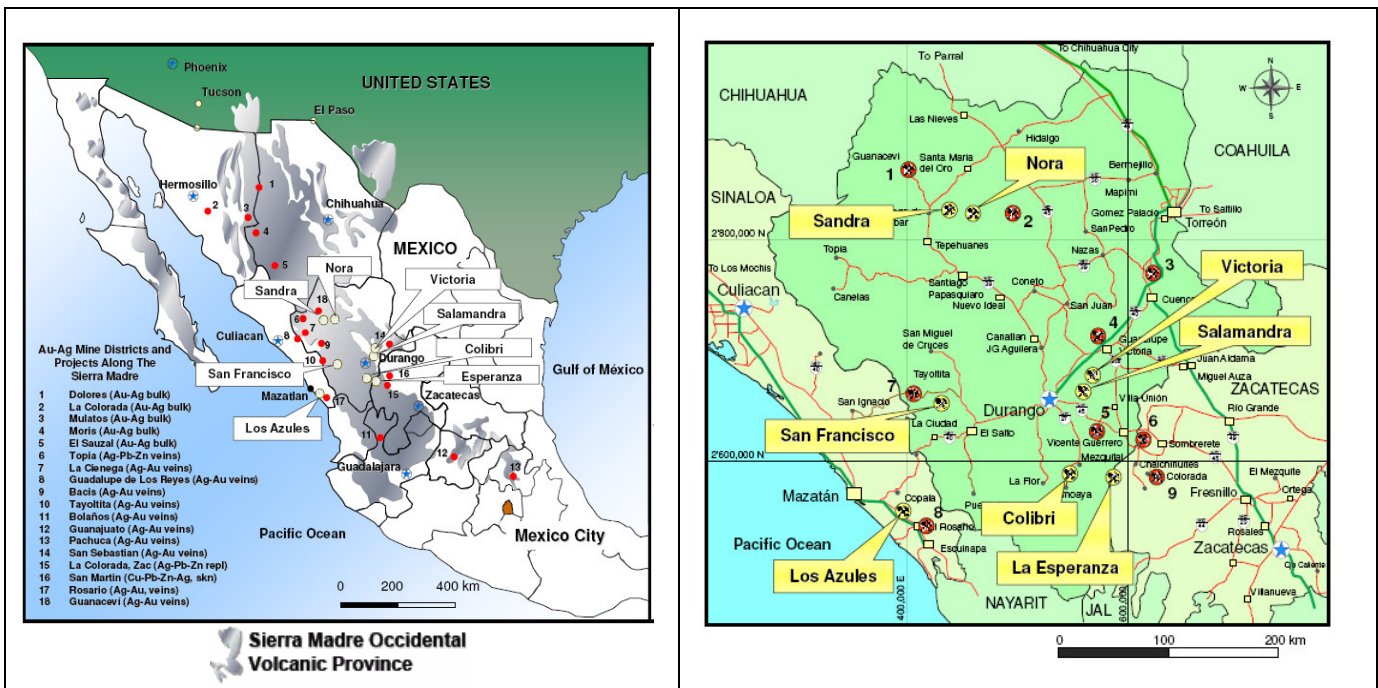
The Company has acquired the following mineral exploration projects in Mexico since 2005 and to the date of this report:

- La Esperanza silver zinc lead project – option to earn 100%
- Colibri silver zinc lead copper project – 100%
- Salamandra zinc silver project (March 2006) – option to earn 100%
- Sandra and Nora gold silver project – 100%
- Los Azules copper gold project – 100%
- San Francisco gold silver project – 100%
- Victoria zinc silver project – 100%

The Company holds 100% interest in the following mineral properties located in the Omineca Mining District, in North-central British Columbia, Canada:

- Brenda, gold-copper property
- Vega, gold-copper property
- Granite, gold property
- LIL, silver property

**Exploration projects in Mexico**



**La Esperanza silver-zinc-lead project, Zacatecas State, Mexico**

The Company has an option agreement to purchase a 100% interest in the La Esperanza project, subject to a Net Smelter Return royalty of up to 1.5%. Under the terms of the agreement, the Company has the right to acquire these claims by making option payments over a period of three years totalling US\$150,000. The La Esperanza project, covering 435 hectares, is located in the state of Zacatecas, 100 km south-southeast of the city of Durango.

A Phase 1 diamond drill program consisting of 8 drill holes for a total of 1,182 metres was completed in 2006. Drilling outlined a mineralized vein with a strike length of over 150 metres and depth of 100 metres, which is open in all directions, with a width of up to 10.30 metres carrying high-grade silver mineralization. The mineralized intercepts have a weighted average grade of 330 g/t (9.62 oz/ton) silver, 0.93% zinc and 1.57% lead over an average width of 4.21 metres, including several intercepts with very high silver grades of up to 2,144 g/t (62.53 oz/ton) silver over 0.75 metres. Expenditures on the La Esperanza project during the quarter were \$15,379 (1<sup>st</sup> quarter 2007 - \$12,367).



***Colibri gold-silver-zinc-copper-lead project, Durango State, Mexico***

The 100% owned Colibri claims cover 16,075 hectares, located 70 km southeast of the city of Durango.

Geological mapping and surface sampling has identified and outlined a number of mineralized veins in the project area with combined surface strike length of over 14 kilometres, indicating multiple targets for drill testing. The Company completed 18 diamond drill holes for a total of 2,630 metres at the Colibri project in late 2006 and 2007. The drill program returned three high-grade mineralized intercepts from the central zone of the Linda vein containing copper, silver and zinc with a width of up to 3.70 metres (true width 2.83 metres) with a grade of 3.49% copper, 98 g/t silver and 1.96% zinc.

In 2008, the Company completed a further 16 diamond drill holes for a total of 1,539 metres in the southwestern area of the Colibri project. Initial results from the first 6 drill holes for a total of 519 metres have returned silver, lead and zinc mineralized intercepts over a strike length of 165 metres and to a depth of 110 metres from the Claudia vein with a width of up to 8.10 metres (true width 6.69 metres) with 138 g/t silver, 1.68% lead and 1.00% zinc. The Company has recently been informed of an outstanding historical claim covering the Claudia vein area where these initial 6 drill holes are located. This claim covers 48 hectares and does not affect the Sara vein area where the remaining 10 drill holes are located. Initial investigation of this claim indicates multiple irregularities, including non-payment of taxes for over 20 years. The Company is continuing to investigate and evaluate the status of this claim, which covers a very small part of the overall Colibri project claim area of over 16,000 hectares. Expenditures on the Colibri project during the quarter were \$182,067 (1<sup>st</sup> quarter 2007 - \$524,291, including \$255,358 for the issuance of shares and warrants for the acquisition of claims).

***Salamandra zinc-silver project, Durango State, Mexico***

The Company has an option agreement to purchase a 100% interest in the Salamandra project, subject to a Net Smelter Return royalty of 2%, by making option payments over a period of five years totaling US\$500,000. The project area was expanded through staking of additional claims to a total of 2,900 hectares, and is located in Durango State, 35 km northeast of the city of Durango, with good access via paved and gravel roads. A 3-Dimensional Induced Polarization geophysical survey, as well as a geological mapping and surface sampling programs were completed from September to November 2006 and defined prominent drill targets for investigation.

In 2007, 12 diamond drill holes for a total of 3,595 metres were completed. Eleven out of the twelve drill holes intersected zinc-silver mineralized zones with higher grade silver and zinc intercepts of 2.40 metres to 11.60 metres with zinc grades between 0.55% and 12.00% and silver grades between 4 g/t and 102 g/t, within wider mineralized sections of 20 - 45 metres in width grading from 0.32% - 1.08% zinc and 2 g/t - 45 g/t silver. The mineralized zones identified to date appear to be part of a potentially large mineralized system, which is open along strike and to depth, only a small part of which has been explored to date.

In March 2008, the Company entered into an Option and Joint Venture Agreement with Blackcomb Minerals Inc. providing for Blackcomb to earn a 60% interest in the Salamandra and Victoria projects against exploration expenditures of US\$7 million and cash payments of US\$375,000 over a period of 6 years (see "*Recent Developments*"). The agreement requires a minimum expenditure of US\$1 million in the first year. Total expenditures on the Salamandra project during the quarter were \$22,352 (1<sup>st</sup> quarter 2007 - \$61,489).

***Victoria zinc-silver claim area, Durango, Mexico***

In 2007 The Company acquired the Victoria project claim area covering 100,000 hectares surrounding the Salamandra project. The claim area covers a strategic land position on a well-recognized mineral trend running from the northwest to the southeast through Durango State. In 2007 the Company completed an initial regional evaluation program, including satellite imaging and on-site geological evaluation to select potential target areas within the Victoria claim region. In March 2008 the Victoria claims were optioned to Blackcomb Minerals Inc. as part of the Option and Joint Venture Agreement covering the Salamandra project. The claims were subsequently expanded to cover 150,000 hectares. Expenditures on the Victoria project during the quarter were \$11,566 (1<sup>st</sup> quarter 2007 - \$3,273).

***Sandra and Nora silver-gold project, Durango State, Mexico***

The 100% owned Sandra and Nora projects cover 2,002 hectares, located 183 km north of the city of Durango in Durango State, Mexico. Surface sampling and geological mapping has identified a number of mineralized veins over an area of approximately 2,000 x 750 metres in the southern area of the Sandra claims. Rock and chip samples from these veins returned encouraging grades of up to 9.74 g/t gold, 635 g/t silver, 2.46% copper and 20.06% lead. Trench sampling confirmed silver and gold mineralization observed in earlier surface samples from the Barite, Maria Fernanda and Encino veins. Assay results returned silver grades of up to 888 g/t (25.9 oz/t) silver over 0.7 metres at the Barite vein, and up to 9.95 g/t (0.29 oz/t) gold and 365 g/t (10.65 oz/t) silver over 0.5 metres at the Maria Fernanda vein, where trench samples indicate consistent silver/gold mineralization over a strike length of approximately 300 metres. Expenditures on the Sandra and Nora project during the quarter were \$3,353 (1<sup>st</sup> quarter 2007 - \$2,588).

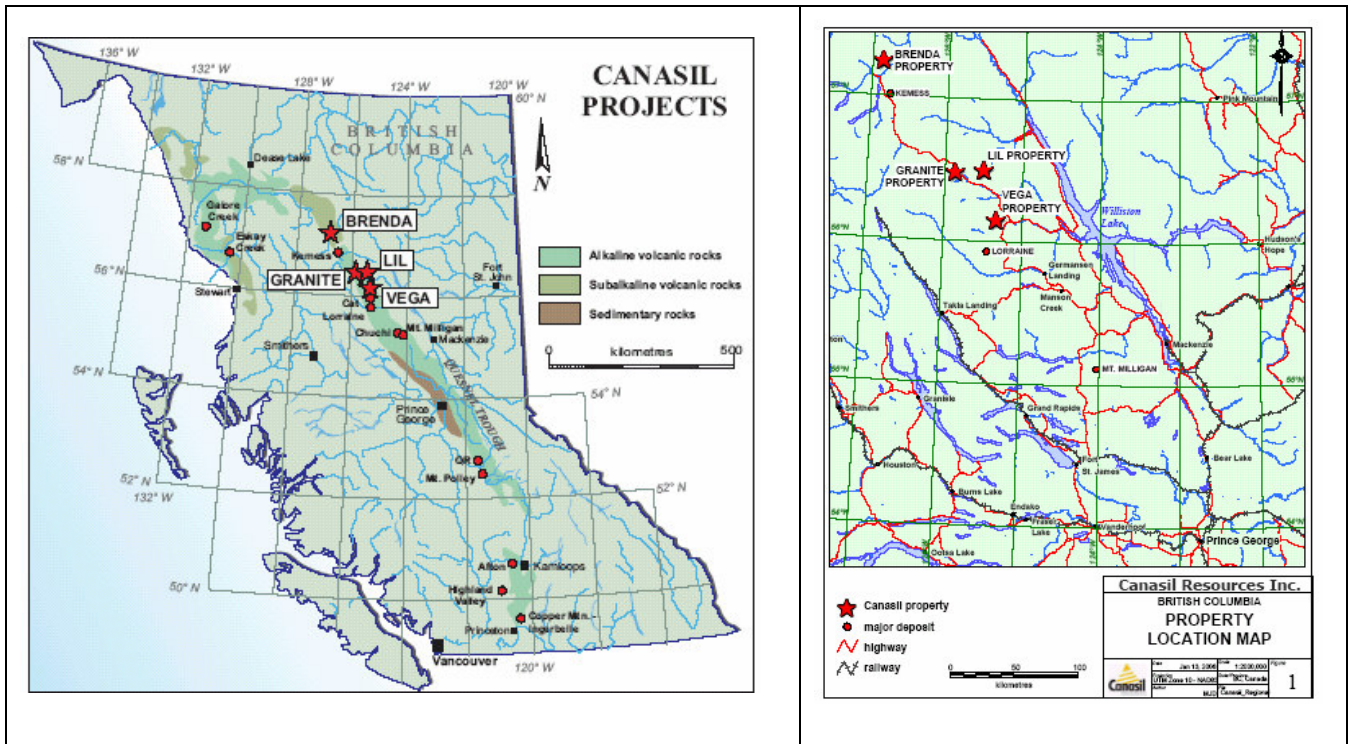
**Los Azules gold-silver-copper project, Sinaloa State, Mexico**

The Company holds a 100% interest in the Los Azules claims in Sinaloa State, Mexico, covering 7,844 hectares. The claims host prospects for epithermal vein type mineralization carrying gold, silver and copper. The Los Azules property is located 60 km southeast of the city of Mazatlan. In 2006 the Company completed a prospecting and sampling program at Los Azules to identify potential mineralized structures. This has been followed up with further mapping and evaluation in April 2008. Some of the vein structures have returned gold, silver and copper values, which require further sampling and investigation. Expenditures during the quarter at Los Azules were \$5,881 (1<sup>st</sup> quarter 2007 - \$999).

**San Francisco gold-silver project, Durango, Mexico**

The San Francisco property, covering 500 hectares, is located approximately 104 km west of the city of Durango in the San Dimas mining district of Durango, 14 km southeast of the Goldcorp's Tayoltita mine. The claims are within view of the community of San Francisco. The access road cuts through the centre of the property, as does the main power line supplying the Tayoltita mine. Expenditures on the San Francisco project during the quarter were \$976 (1<sup>st</sup> quarter 2007 - \$160).

**Exploration projects in British Columbia, Canada**



**Brenda gold-copper property, British Columbia, Canada**

The Company's 100% owned Brenda property consists of 178 claim units, covering 4,450 hectares. The project is located in the Kemess-Toodoggone porphyry copper-gold district, approximately 450 km northwest of Prince George, B.C. The Brenda property is an advanced gold-copper exploration project with over \$3,500,000 in cumulative exploration expenditures covering geologic mapping, geochemistry, ground and airborne geophysics, satellite imaging and over 9,700 metres of drilling in 63 drill holes.

These programs have identified the potential for a deep porphyry gold-copper system at the Brenda project. The increasing gold and copper grades at depth observed in drilling to date, and the strength of the highly altered mineralized structure observed in the drill core, in conjunction with the strong anomalies observed in the geophysical survey, are highly encouraging and indicate the potential for a large deep-seated gold-copper porphyry system at the Brenda project. The mineralized system averages 300 to 400 metres in width, and has been traced along a strike length of 400 meters by drilling,

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with a potential strike length in excess of 1,000 metres indicated by the chargeability anomalies observed in the 3-Dimensional Induced Polarisation geophysical survey. A deeper sensing geophysical survey, which can penetrate to 1,000 metres depth, as well as deeper drilling to extend some of the existing drill holes may be used in a future program for further definition of the structure at depth.

Expenditures on the Brenda project during the quarter were \$25,585 (1<sup>st</sup> quarter 2007 - \$665)

***Vega gold-copper property, British Columbia, Canada***

The 100% owned Vega claims are located in the Omineca Mining Division of British Columbia, 300 km northwest of Prince George. Access to the property is via the Omineca Mines Access Road and logging roads. The claim area covers 6,716 hectares. There was no work on the Vega project during the quarter.

***LIL property, British Columbia, Canada***

The 100% owned LIL claims, covering 875 hectares, are located in the Omineca Mining Division, 350 km northwest of Prince George, British Columbia. There was no work on the Lil project during the quarter.

***Granite property, British Columbia, Canada***

The 100% owned Granite gold-silver claim, covering 500 hectares in the Johansson Lake area, Omineca Mining Division of British Columbia, is located 360 km northwest of Prince George. There was no active exploration on the Granite property during the quarter.

**A discussion of general conditions, trends, and competitive and environmental factors affecting the Company's business and operations is included following the financial and other information.**

**Selected Quarterly Information**

The following table provides selected financial information of the Company for each of the last eight quarters:

Year	2008	2007				2006		
Quarter ended:	Mar 31	Dec. 31	Sept. 30	Jun. 30	Mar. 31	Dec. 31	Sept. 30	Jun. 30
Loss before other items	(132,565)	(170,918)	(164,731)	(169,354)	(110,146)	(85,307)	(71,191)	(75,400)
Stock-based compensation	(53,834)	(35,230)	(73,317)	(33,053)	(76,686)	(5,984)	(20,674)	-
Write-off of resource properties	-	(413,012)	-	-	-	-	-	-
Loss for the quarter	(186,399)	(619,160)	(238,048)	(202,407)	(186,832)	(91,291)	(91,865)	(75,400)
Loss per share: basic and diluted	(0.006)	(0.019)	(0.008)	(0.007)	(0.008)	(0.004)	(0.004)	(0.004)
Weighted-average shares	33,377,592	31,642,614	31,555,353	30,009,802	24,447,774	21,735,342	20,255,309	18,759,012

The Company has experienced a higher level of exploration activity in each of the past three fiscal years. Accordingly, general and administrative expenses have increased and produced higher operating losses. In addition to this trend, the operating losses, before stock-based compensation and property write-downs, for the four quarters of fiscal 2007 are higher due to higher Management and Director compensation and most notably a higher level of Investor Relations and Conferences expenditures. The Company has also experienced an increase in accounting and audit fees and an increase in office services and supplies due to moving its office during 2007. Travel and accommodation expenditures have increased as the Company has increased its participation in the various industry trade shows. The loss for the quarter ending March 31, 2008 was reduced due to a foreign exchange gain of \$11,530.

### **Liquidity and Capital Resources**

The Company is dependent upon raising funds through the issuance of shares or disposing of interests in its mineral properties (by options, joint ventures or outright sale) in order to finance further acquisitions, undertake exploration and development of mineral properties and meet general and administrative expenses in the immediate and long term. There can be no assurance that the Company will be successful in securing the required financing. The Company had working capital at March 31, 2008 of \$280,340 (December 31, 2007 - \$686,088). The Company had no material income from operations. As at March 31, 2008, the Company had no long-term debt.

During the quarter the Company experienced negative cash flow of \$89,468 (1<sup>st</sup> quarter 2007 – positive \$1,340,379) from operating, investing and financing activities. This included net cash used in operating activities of \$201,698 (1<sup>st</sup> quarter 2007 – \$129,580), net cash used in investing activities of \$217,770 (1<sup>st</sup> quarter 2007 - \$398,456), and net cash provided by financing activities of \$330,000 (1<sup>st</sup> quarter 2007 – \$1,868,415).

The Company has option agreements that require certain future cash payments to maintain its interest in mineral properties, however, these payments can be made at the discretion of the Company and are not firm commitments. The Company has sufficient working capital for current operating activities, and will require additional funding for planned exploration and operating expenditures through 2008.

### **Other Information and Disclosures**

#### ***Related Party Transactions***

During the quarter the Company paid or accrued a total of \$41,943 (1<sup>st</sup> quarter 2007 - \$52,699) to related parties covering directors' and management fees and geological and legal services. The decrease is due to lower legal services and share issuance costs of \$3,443 (1<sup>st</sup> quarter 2007 \$16,699). The Company relies heavily on its directors and officers for many of its administrative and professional services.

#### ***Off-Balance Sheet Arrangements***

The Company does not have any off-balance sheet arrangements and does not contemplate such arrangements in the foreseeable future. There are no contingent liabilities.

#### ***Critical Accounting Estimates***

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of commitments and contingencies at the date of the financial statements, and the reported amount of revenue and expenses during the period. The most significant accounting estimates for the Company relate to the carrying value of its mineral property assets and accounting for stock-based compensation. The Company's accounting policies are set out in full in note 2 to the December 31, 2007 audited consolidated financial statements.

#### ***Mineral Property Costs***

The Company is in the exploration stage and defers all expenditures related to its mineral properties until such time as the properties are put into commercial production, sold or abandoned. Under this method, all amounts shown as mineral properties represent costs incurred to date less amounts amortized and/or written off and do not necessarily represent present or future values.

If the properties are put into commercial production, the expenditures will be depleted based upon the proven reserves available. If the properties are sold or abandoned, the expenditures will be charged to operations. The Company does not accrue the estimated future costs of maintaining in good standing its mineral properties.

In the event that reserves are determined, the carrying values of mineral interests, on a property-by-property basis, will be reviewed by management at least annually to determine if they have become impaired. If impairment is deemed to exist, the mineral property will be written down to its net recoverable value. The ultimate recoverability of the amounts capitalized for the mineral properties is dependent upon the delineation of economically recoverable ore reserves, the Company's ability to obtain the necessary financing to complete their development and realize profitable production or proceeds from the disposition thereof. Management's estimates of recoverability of the Company's investment in various projects have been based on current conditions. However, it is reasonably possible that changes could occur in the near term which could adversely affect management's estimates and may result in future write-downs of capitalized property carrying values.

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*Stock-based Compensation*

The fair value of stock options is determined by the application of the Black-Scholes Option-Pricing Model, which requires the input of highly subjective assumptions, including the expected price volatility of the Company's common shares and the expected life of the options. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the model does not necessarily provide a reliable single measure of the fair value of the Company's stock options granted/vested during the period.

**Changes in Accounting Policies**

*Capital Disclosures*

Effective January 1, 2008, the Company adopted the recommendations of CICA Handbook Section 1535 – *Capital Disclosures*. This Section requires disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the Company's objectives, policies and processes of managing capital.

*Financial Instruments - Disclosures*

Effective January 1, 2008, the Company adopted the recommendations of CICA Handbook Section 3862 – *Financial Instruments – Disclosures*. This Section requires disclosure of quantitative and qualitative information that enable users to evaluate the significance of financial instruments for the Company's financial position and performance and the nature and extent of risks arising from financial instruments to which the Company is exposed during the period and at the balance sheet date, and management's objectives, policies and procedures for managing such risks. Disclosure of the measurement basis used and the criteria used to determine classification for different types of instruments is also required.

**Financial Instruments**

The Company's financial instruments consist of cash, receivables, reclamation bond, and accounts payable and accrued liabilities. All of the Company's financial instruments are carried at amortized cost and their fair value is considered to approximate their carrying value due to their short-term nature or capacity of prompt liquidation. The Company has no speculative financial instruments, derivatives, forward contracts, or hedges.

All of the Company's Canadian cash is held in an interest bearing account at a major Canadian bank and such balances earn interest at market rates. The Company also maintains cash in the currency of Mexico (peso), which it uses to fund its foreign projects. The cash balances and payables that are denominated in pesos are subject to currency risk due to fluctuations in the exchange rate between the Canadian dollar and the peso. To manage this currency risk, the Company maintains only the minimum amount of cash, in pesos, that is necessary to fund its ongoing exploration expenditures. Accounts payable are settled in a timely manner.

The Company is not exposed to any significant credit, interest rate, liquidity or market risks in respect of these financial instruments. The Company's policies and processes of managing all risks associated with its financial instruments have not changed during the current period.

**Disclosure for Venture Issuers without Significant Revenue**

Consistent with other companies in the mineral exploration industry, the Company has no source of operating revenue. The Company's audited financial statements for the period ending December 31, 2007, and the un-audited financial statements for the quarter ended March 31, 2008, provide a breakdown of the general and administrative expenses for the period under review and an analysis of the capitalized and expensed exploration and development costs incurred on its mineral properties.

**Outstanding Share Data**

**Shares**

The Company's authorized share capital consists of an unlimited number of common shares. As at March 31, 2008, the Company had 33,377,592 common shares issued and outstanding (diluted – 39,005,342) compared to 33,377,592 common shares issued and outstanding (diluted – 40,300,017) as at December 31, 2007. There were no shares issued during the quarter. The reduction in the diluted shares outstanding during the quarter results from the expiry of 1,294,675 warrants.

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**Options**

As at March 31, 2008, a total of 2,833,750 incentive stock options were outstanding.

Number of Shares	Exercise Price	Expiry Date
650,000	\$ 0.26	November 6, 2008
150,000	\$ 0.75	May 11, 2009
200,000	\$ 0.75	May 14, 2009
743,750	\$ 0.20	March 16, 2011
150,000	\$ 0.20	October 27, 2011
75,000	\$ 0.20	November 21, 2011
865,000	\$ 0.50	March 20, 2012
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2,833,750		

**Warrants**

As at March 31, 2008, a total of 2,794,000 share purchase warrants were outstanding:

Number of Warrants	Exercise Price	Expiry Date
2,000,000	\$ 0.55	September 30, 2008
794,000	\$ 0.45	December 31, 2008
<hr/> <hr/>		
2,794,000		

**Escrow**

There are no shares subject to escrow or pooling arrangements.

***Investor Relations***

The Company maintains a website, [www.canasil.com](http://www.canasil.com), with detailed corporate information and information covering its mineral exploration projects and operations. During the quarter the Company exhibited at the Vancouver Resource Investment Conference and Vancouver Mineral Exploration Roundup in January 2008, at the Prospectors and Developers Association Conference in Toronto in March 2008, and at the Calgary Resource Investment Conferences in April 2008. The Company has Investor Relations contracts with Kerr Consulting in Vancouver, Garth McTavish in Calgary, Alberta, and Pro-Edge Investor Relations Consultants in Toronto.

***Recent developments***

Subsequent to March 31, 2008, and to the date of this report the Company has announced the results from the initial 6 drill holes at the Colibri project in Durango State, Mexico. The Company has also received a private placement of \$125,000 for 500,000 shares at \$0.25 from Blackcomb Minerals Inc., as provided for in the Option and Joint Venture Agreement with Blackcomb for the Salamandra and Victoria projects.

***General Conditions Affecting the Company's Operations***

*General Trends*

The principal business of the Company is the acquisition, exploration and, if warranted, development of natural resource properties of merit. The Company is not geographically limited to any particular region but in recent years has focused attention on natural resource properties in Canada and Mexico.

There has been a trend towards improving base and precious metal prices over the past year, particularly for gold, silver and copper. The mining and minerals industry is experiencing increased demand for minerals and metals, in particular from economic growth in Asia. This has resulted in greater interest from the financial community in financing mineral exploration and development projects.

#### *Competitive Conditions*

Significant competition exists for natural resource acquisition opportunities. As a result the Company may be unable to acquire rights to exploit additional attractive mining properties on terms it considers acceptable.

#### *Environmental Protection*

Environmental legislation is evolving in a manner such that standards, enforcement, fines and penalties for non-compliance are becoming stricter. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in government regulations has the potential to reduce the profitability of future operations. To the Company's knowledge, it is in compliance with all environmental laws and regulations affecting its operations.

#### *Number of Employees*

As of March 2008, the Company had no employees. All administrative and certain geological services are provided to the Company by consultants or companies controlled by related parties.

#### *Acquisition and Disposition of Resource Properties*

During the quarter, the Company acquired through staking of claims a further 50,000 hectares at the Victoria project in Durango State, Mexico.

#### ***Risk Factors Relating to the Company's Business***

The Company's ability to generate revenue and profit from its natural resource properties, or any other resource property it may acquire, is dependent upon a number of factors, including, without limitation, the following:

#### *Precious and Base Metal Price Fluctuations*

The Company's ability to finance its mineral property acquisition, exploration and eventual development is dependent upon the market price of certain precious and base metals. The price of such metals has fluctuated widely and is affected by numerous economic and political factors, consumption patterns, speculative activities, levels of supply and demand, increased production due to new mine developments and productivity, metal substitutes and stock levels. These fluctuations may result in the Company not receiving an adequate return on invested capital or the investment retaining its value.

#### *Operating Hazards and Risks*

Mining operations generally involve a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which the Company has a direct or indirect interest will be subject to all the hazards, risks and liabilities normally incidental to exploration, development and production of precious and base metals. The Company presently carries no liability insurance, and any liabilities arising from its operations may have a material, adverse effect on the Company's financial position.

#### *Exploration and Development*

There is no known body of commercial ore on the Company's mineral properties. Development of the Company's properties will only follow upon obtaining satisfactory exploration results. Mineral exploration and development involves a high degree of risk and few exploration properties are ultimately developed into producing mines. There is no assurance that the Company's mineral exploration and development activities will result in any commercially viable discoveries.

Substantial expenditures are required to establish reserves through drilling, to develop metallurgical processes and the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that the funds required for development can be obtained on a timely basis.

The marketability of any minerals acquired or discovered may be affected by numerous factors which are beyond the Company's control and which cannot be accurately predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting minerals and environmental protection.

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*Calculation of Reserves and Mineralization and Precious and Base Metal Recovery*

There is a degree of uncertainty attributable to the calculation of reserves and mineralization and corresponding grades being mined or dedicated to future production. In addition, there can be no assurance that precious or other metal recoveries in small-scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production.

*Government Regulation*

Operations, development and exploration on the Company's properties are affected to varying degrees by government regulations relating to such matters as environmental protection, health, safety and labour; mining law reform; restrictions on production; price controls; tax increases; maintenance of claims; tenure; and expropriation of property. There is no assurance that future changes in such regulation, if any, will not adversely affect the Company's operations.

*Environmental Factors*

All phases of the Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. Environmental legislation is evolving and requires stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation will not adversely affect the Company's operations. Environmental hazards may exist on the Company's properties, which are unknown to the Company at present and which have been caused by previous or existing owners or operators of the properties.

*Title to Assets*

Although the Company has or will receive title opinions for any properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned. The Company has not conducted surveys of the claims in which it holds direct or indirect interests and therefore, the precise area and location of such claims may be in doubt. The Company's claims may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by undetected defects.

*Foreign Operations*

The Company operates in Mexico and has acquired four mineral properties, through staking, and has option agreements to acquire interests in three other mineral properties. The Company is currently engaged in exploration activities on these properties. Subsequent to the end of the fiscal year, the Company has acquired two additional claim areas surrounding the existing mineral properties.

*Management and Directors*

The Company is dependent on a small number of directors and officers and operating personnel in Mexico: Alvin Jackson, Michael McInnis, Gary Nordin, Arthur Freeze, Bahman Yamini, Kerry Spong, Graham Scott and Erme Enriquez. The loss of any of these persons could have an adverse effect on the Company. The Company does not maintain key person insurance on any of its management.

*Conflicts of Interest*

Certain officers and directors of the Company are officers and/or directors of other natural resource companies that acquire interest in mineral properties. Such associations may give rise to conflicts of interest from time to time. The directors are required by law to act honestly and in good faith with a view to the best interests of the Company and its shareholders. They are also required to disclose any personal interest in any material transaction, which is proposed to be entered into with the company, and to abstain from voting as a director for the approval of any such transaction.

*Limited Operating History - Losses*

The Company has experienced losses in all years of its operations. There can be no assurance that the Company will operate profitably in the future. As of March 31, 2008, the Company's accumulated deficit was \$5,930, 242.

*Price Fluctuations and Share Price Volatility*

In recent years the securities markets in the United States and Canada have experienced a high level of price and volume volatility. The market price of securities of many mineral exploration companies have experienced wide fluctuations in price, which has not necessarily been related to their operating performance, underlying asset value or prospects. During the quarter ended March 31, 2008, and to the date of this report the price of the Company's shares fluctuated from a low of \$0.24 to a high of \$0.39 per share. There can be no assurance that continued fluctuations in price will not occur.



*Shares Reserved for Future Issuance - Dilution*

As at March 31, 2008, a total of 33,377,592 common shares of the Company were issued and outstanding. There were 2,833,750 stock options and 2,794,000 share purchase warrants outstanding pursuant to which additional common shares may be issued in the future, which would result in further dilution to the Company's shareholders and pose a dilutive risk to potential shareholders.

***Forward-Looking Statements***

Certain statements made and information contained in this MD&A and elsewhere constitute "forward-looking information" within the meaning of the Ontario Securities Act. Forward-looking statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation, risks and uncertainties relating to the interpretation of drill results and the estimation of mineral resources, the geology, grade and continuity of mineral deposits, the possibility that future exploration, development results will not be consistent with the Company's expectations, accidents, equipment breakdowns, title matters and surface access, labour disputes, the potential for delays in exploration activities, the potential for unexpected costs and expenses, commodity price fluctuations, currency fluctuations, failure to obtain adequate financing on a timely basis and other risks and uncertainties, including those described under Risk Factors in each management discussion and analysis. In addition, forward-looking information is based on various assumptions including, without limitation, the expectations and beliefs of management, the assumed long term price of precious and base metals, that the Company will receive required permits and access to surface rights, that the Company can access financing, appropriate equipment, sufficient labour and subcontractors, and that the political environment within the Company's operating jurisdictions will continue to support the development of environmentally safe mining projects. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements. Accordingly, readers are advised not to place undue reliance on forward-looking statements.

***Corporate Disclosures***

The Board of Directors has responsibility for developing and implementing the Company's approach to governance issues. Committees of the Board presently consist of an Audit Committee and a Management Compensation Committee. The Audit Committee consists of two unrelated, outside directors and one related director. The role of the audit committee is to oversee the Company's financial reporting obligations, systems and disclosure and to act as a liaison between the Board and the Company's auditors. The Board has also appointed a Management Compensation Committee that consists of three unrelated outside directors. The role of the Management Compensation Committee is to determine the remuneration of executive officers and to administer the Company's Stock Option Plan.

***Disclosure Controls and Procedures***

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported on a timely basis to senior management, so that appropriate decisions can be made regarding public disclosure. As at the end of the period covered by this management's discussion and analysis, management evaluated the effectiveness of the Company's disclosure controls and procedures as required by Canadian securities laws.

Based on that evaluation, management has concluded that, as of March 31, 2008, the disclosure controls and procedures were effective to provide reasonable assurance that material information is accumulated and communicated to management to allow timely decisions regarding disclosure required in the Company's annual filings and interim filings and other reports filed or submitted under Canadian securities laws and such material information is reported within the time periods specified by those laws.

***Internal Controls and Procedures***

Internal controls and procedures are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with the Company's generally accepted accounting principles. As at the end of the period covered by this management's discussion and analysis, management had designed and implemented internal controls and procedures as required by Canadian securities laws.

The Company evaluated the design of its internal controls and procedures over financial reporting for the fiscal year ended December 31, 2007. No material weaknesses in the design were identified. While management continues to review and refine its internal controls and procedures, there have been no changes in the Company's internal control procedures over financial reporting that occurred during the current quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**CANASIL RESOURCES INC.**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Quarter ended March 31, 2008

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**Approval**

The Board of Directors of the Company has approved the disclosure contained in this quarterly MD&A.

A copy of this MD&A and previously published financial statements and MD&A, as well as other information is available on the SEDAR website at [www.sedar.com](http://www.sedar.com), and on the Company's website at [www.canasil.com](http://www.canasil.com)